


# COUNTY OF YORK

## MEMORANDUM

**DATE:** May 30, 2006 (BOS Mtg. 6/6/06)

**TO:** York County Board of Supervisors

**FROM:** James O. McReynolds, County Administrator 

**SUBJECT:** Solid Waste, Stormwater, and Utility Strategic Capital Programs

As was mentioned during the just completed budget cycle, a number of factors are having a significant impact on the Solid Waste Management, Stormwater, and Utility Projects. The growing worldwide demand for oil is driving energy prices up. Demand for materials and labor have also increased at dramatic rates. The major factors influencing this demand are the natural disasters of the past several years and the global building boom, in China in particular. Utility programs have experienced significant cost increases in the past three years. There are several options available to address the current situation. They include changes in project scope or timing, or both, and/or generating additional revenues.

The County's Solid Waste, Stormwater, and Utility programs, as highlighted below, will be briefed during the June 6<sup>th</sup> work session. The purpose of this work session is to provide the Board with the information necessary to consider the options for moving these projects forward. Following next week's work session, staff and I will provide any additional information requested by the Board. In addition, a portion of the work session scheduled for August 1 will be dedicated to these issues; and at this work session staff hopes to receive Board guidance as to how to proceed with these programs.

Solid Waste Management: Our current projections show that the program expenditures are currently exceeding revenues and are projected to increase significantly in FY07 and FY08 in spite of a significant reduction in costs of the new BFI contract. The reasons for this imbalance are primarily the result of increases in disposal tonnage, increases in the transportation consumer price index, and a higher-than-expected number of citizens choosing the low generator option which has resulted in a revenue shortfall. Specifically:

1. Annual disposal tonnage is averaging 4,000 tons higher in collection and citizen drop-off tonnage than originally projected. Secondly, and equally causal, is the increase in Transportation CPI from a normal 2-3 percent to the current 5.1 percent. The primary reason for the increase in the index is higher fuel costs. This index is directly applied to the unit prices BFI charges the County for collection and disposal and is specified in the contract.
2. The recycling contract is due to be re-bid and implemented at the start of FY08. Early cost projections show that the curbside recycling collection costs are ex-

pected to climb from the current \$1.90 per month/resident to about \$2.50 per month/resident despite request for proposal options to automate collection, introduce bi-weekly collection, and expand the service area that will include Newport News and the Richmond area. In addition, investigation is being made to determine viability of recycling some items with a weak or non-existent market such as glass.

3. Revenues are below expectations because the residents requesting two-toter service were projected to be 50 percent but currently are only 35 percent.

In order to restore the revenue and expenditure balance to the Solid Waste program, a garbage collection service fee increase of \$2.50 per month for a single toter and an increase of \$3.50 per month for two toters is recommended. Also, given the anticipated increase in recycling costs, staff believes that in Fiscal Year 2008 it will be necessary to add \$200,000 to the current \$1 million contribution from the General Fund to the Solid Waste Fund for recycling and the other solid waste services available to all citizens. Lastly, we recommend increasing the tipping fee from \$42 to \$48. These are fees charged to commercial or non-program customers who bring trash to the transfer station. After the recommended fee increases, York County will still have the lowest fees among the Hampton Roads communities. In addition, we haven't increased rates in over 7 years. In fact, fees were lowered in 2005 and the proposed rates are still lower than those offered before the decrease in 2005.

Stormwater Program: The current program, as with other utility projects, has experienced significant increases in easement acquisition, regulatory, and construction costs. But unlike our Sewer and Water utility capital plan, this program lacks a revenue stream that can support a borrowing effort while maintaining the current pace. Edgehill, Brandywine, Tabb Lakes Victory Outfall, Victory Industrial Park, and Moores Creek phases II and III are the major projects in the program that will be ready to construct in FY07 and FY08. The total for these projects is now estimated at \$14 million. The original FY02 program was estimated at \$4 million and revised to about \$10 million at the end of 2004. The stormwater program annually receives about \$400K from the meals tax, about \$200K from VDOT in transportation revenue sharing program and a \$200K match from the General Fund for a total of about \$800K. There are several options available to address these issues including the following:

1. Delay the program significantly and await a probable slowdown in construction cost increases.
2. Increase contributions from the general fund.
3. Reassess the scope of some of the projects such as the Edgehill project that is now approaching \$100,000 per house to construct.

4. Institute a stormwater utility fee: The County staff has investigated the equivalent residential unit (ERU) for all residential properties in the County and found that the average residential impervious surface is approximately 3700 square feet, and the amount of ERUs in the County is approximately 37,000 between residents and business properties. A \$4 per month fee per ERU could raise approximately \$1.7 million and could support the debt service needed to borrow necessary funds to maintain the current program's pace.

Utility Capital Plan: Lastly, the utility program is also experiencing significant cost increases. The cost of the Skimino Hills, Back Creek, and Marlbank utility projects bid within the past 3 years increased 20 percent from pre-bid engineering estimates. Current projects in design such as Queens Lake and York Point are currently estimated at 50-60 percent over original program cost estimates. The reasons for this increase are much the same as mentioned for stormwater—easement acquisition and construction costs have increased dramatically over the past 3 years. The reasons for the increases are primarily due to global economic demand in basic construction materials such as steel, cement, and pavement. Construction cost increases are further exacerbated by demand for labor by the hurricane rebuilding efforts on-going on the Gulf Coast and Florida, and the strong economy's demand for construction services, particularly in the housing and commercial development areas. Finally, easement and right-of-way acquisition costs have escalated at the same rate as property values.

The most viable option to keep the Utility Capital Program on schedule appears to be the issuance of debt. The County would need to borrow \$14 - \$18 million to continue the program on its current schedule, and the projected stream of revenues should be sufficient to sustain additional debt in this range. Another option would be to spread the projects out in order to accumulate more cash to finance the projects on a pay-as-you-go basis. However, this would result in a delay of several years for some projects.

In conclusion, as I indicated earlier in this memo, staff will provide the Board with a detailed briefing on the foregoing topics during next week's work session. Following this work session, any additional information the Board requests will be provided; and a portion of the work session scheduled for August 1 will be set aside for the Board to provide staff with the direction on how to proceed.

Please contact John or me if you should have any questions.

Hudgins/3755